

**SALEM HEALTH AND
WELLNESS FOUNDATION, INC.**

AUDIT REPORT

DECEMBER 31, 2018

SALEM HEALTH AND WELLNESS FOUNDATION, INC.
REPORT FOR
THE YEAR ENDED
DECEMBER 31, 2018

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Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Salem Health and Wellness Foundation, Inc.

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Salem Health and Wellness Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

OPINION

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Salem Health and Wellness Foundation, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



EDWARD T. GHEYSENS, JR.
Certified Public Accountant
Woodstown, New Jersey

May 24, 2019

SALEM HEALTH AND WELLNESS FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents (Note 2)	\$ 13,934,111	
Prepaid Expenses	13,744	
Investment Income Receivable	56,527	
Investments - SEI Private Trust Company (Note 3)	<u>37,814,225</u>	
TOTAL CURRENT ASSETS		\$ 51,818,607

NONCURRENT ASSETS

Property and Equipment, Net (Note 5)	\$ 14,146	
Beneficial Interests in Perpetual Trusts (Note 7)	<u>10,146,845</u>	
TOTAL NONCURRENT ASSETS		<u>10,160,991</u>

TOTAL ASSETS		<u><u>\$ 61,979,598</u></u>
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LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$ 28,549	
Accrued Wages	8,121	
Accrued Payroll Taxes	<u>2,674</u>	
TOTAL LIABILITIES		\$ 39,344

NET ASSETS

Without Donor Restrictions	\$ 22,793,409	
With Donor Restrictions:		
Board Designated - Salem Medical Center	29,000,000	
Beneficial Interests in Perpetual Trusts	<u>10,146,845</u>	

TOTAL NET ASSETS		<u>61,940,254</u>
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TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 61,979,598</u></u>
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See notes to financial statements.

SALEM HEALTH AND WELLNESS FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUES, GAINS, AND OTHER SUPPORT</u>			
Contributions	\$ 27,296,822	\$ 29,000,000	\$ 56,296,822
Grant Proceeds		42,325	42,325
Distributions-Beneficial Interests Held in Perpetual Trusts		529,531	529,531
Change in Value of Beneficial Interests Held in Perpetual Trusts		(1,274,478)	(1,274,478)
Investment Loss, Net	<u>(2,999,058)</u>	<u>(529,207)</u>	<u>(3,528,265)</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>\$ 24,297,764</u>	<u>\$ 27,768,171</u>	<u>\$ 52,065,935</u>
<u>EXPENSES</u>			
Program Services	\$ 2,099,475	\$ 42,650	\$ 2,142,125
Supporting Services:			
Management and General	126,725		126,725
Fundraising	<u>18,631</u>		<u>18,631</u>
TOTAL EXPENSES	<u>\$ 2,244,831</u>	<u>\$ 42,650</u>	<u>\$ 2,287,481</u>
 INCREASE IN NET ASSETS	 \$ 22,052,933	 \$ 27,725,521	 \$ 49,778,454
NET ASSETS - JANUARY 1, 2018	<u>\$ 740,476</u>	<u>11,421,324</u>	<u>12,161,800</u>
NET ASSETS - DECEMBER 31, 2018	<u><u>\$ 22,793,409</u></u>	<u><u>\$ 39,146,845</u></u>	<u><u>\$ 61,940,254</u></u>

See notes to financial statements.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising/ Donor Development</u>	<u>Total</u>
403B Plan Administration	\$ 897	\$ 196	\$ 57	\$ 1,150
Accounting/Audit Fees		19,860		19,860
Communications	29,483	8,316		37,799
Employee Benefits		7,616		7,616
Marketing	1,515	14		1,529
Pension Expense	8,974	1,956	575	11,505
Equipment Maintenance	1,489	325	95	1,909
Insurance		9,251		9,251
Dues & Memberships	570	570		1,140
Grant Expenses	16,521			16,521
Internet Access Fees	654	143	42	839
Legal Fees	102,491	22,338	6,570	131,399
Miscellaneous	1,006	155	19	1,180
Meetings and Conferences	3,488	760	224	4,472
Office Cleaning	2,175	474	139	2,788
Office Supplies/Expenses	2,870	499	114	3,483
Consulting Fees	72,485			72,485
Office Rent		14,400		14,400
Outreach/Seminars	574			574
Telephone	1,768	385	113	2,266
Travel	4,422	683	201	5,306
Wages	150,308	32,759	9,635	192,702
Payroll Taxes	11,879	2,589	762	15,230
Online Grantmaking Software	3,704			3,704
Subscriptions	133	133		266
State Filing Fees		278		278
Subcontractors	20,931			20,931
Contributions/Grants Paid	1,702,470			1,702,470
Depreciation		2,738		2,738
Website Hosting	1,318	287	85	1,690
	<u>\$ 2,142,125</u>	<u>\$ 126,725</u>	<u>\$ 18,631</u>	<u>\$ 2,287,481</u>

See notes to financial statements.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received From:	
Contributions	\$ 495,622
Grant Proceeds	62,955
Distributions - Beneficial Interests in Perpetual Trusts	529,531
Interest, Dividends, and Long Term Capital Gain Distributions	1,787,687
Cash Paid To/For:	
Employees	(226,844)
Investment Advisory Fees	(174,780)
Contributions and Grants Paid Out	(1,702,470)
Operating Expenses/Suppliers	<u>(322,484)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 449,217

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds From Sales of Investments	19,408,955
Purchases of Investments	(6,634,079)
Equipment Acquisitions	<u>\$ (240)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>12,774,636</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 13,223,853
CASH AND CASH EQUIVALENTS - JANUARY 1, 2018	<u>710,258</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2018	<u><u>\$ 13,934,111</u></u>

See notes to financial statements.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Foundation was formed to receive the proceeds of the sale of Memorial Hospital of Salem County.

The Foundation's mission is to invest in sustainable initiatives that promote the overall health of Salem County, NJ residents. The Foundation's vision is to be a financial resource for organizations specializing in servicing the health needs that are deemed to be unmet or underserved.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Classification of Net Assets

Net Assets, revenues, gains, and losses are classified based on the existence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions - Net assets subject to donor, grantor, or board-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses, including functional allocations, during the reporting period. Actual results could differ from those estimates.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Risks and Uncertainties

The fair value amounts of investments reported in the statement of financial position are exposed to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities, it is reasonably possible that amounts reported in the accompanying statement of financial position could change materially in the near future.

Promises to Give

Unconditional promises to give are recognized as assets and revenues in the period received. The unconditional promises to give are recorded at net realizable value and are discounted at an appropriate rate commensurate with the risks involved. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributed Services

A substantial number of volunteers have donated their time to the foundation. No amounts have been reflected in the accompanying financial statements for donated services since they do not meet the criteria for recognition.

Income Taxes

The Foundation is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c)(3).

Property and Equipment

Property and equipment is stated at cost or at their estimated fair value at date of donation. Expenditures which substantially increase the economic useful lives of the assets are capitalized. Expenditures for maintenance and repairs necessary to maintain the assets in efficient operation condition are expensed currently. Assets retired, or otherwise disposed of, are eliminated from their respective assets accounts. Any gains or losses from dispositions, other than trade-ins on like property, are include in income.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(continued)

Depreciation

Depreciation is computed by using the straight line method over the economic useful lives of the assets. Depreciation rates are based on the following range of lives:

Equipment	3 to 10 Years
Leasehold Improvements	39 Years

Depreciation expense for the year ended December 31, 2018, is \$ 2,738.

Functional Allocation of Expenses

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are allocated among the program and supporting services benefited. Salaries and related expenses are allocated amongst the different functions based on estimates of time and effort of employees, while other expenses, that have not already been directly identified, are allocated based upon management's judgement. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support of the Foundation.

New Accounting Pronouncement

In August, 2016, the Financial Accounting Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. ASU 2016-14 amends the presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: a) net asset classes, b) investment return, c) expenses, d) liquidity and availability of resources, and e) presentation of operating cash flows. The new standard is effective for years beginning after December 15, 2017. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions, and amounts previously reported as temporarily restricted and permanently restricted net assets are now reported as net assets with donor restrictions.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Pennsville National Bank - Checking Account	\$ 331,561
Pennsville National Bank - Savings Account	25,560
SEI Government Fund	13,576,990
	<u>\$13,934,111</u>

NOTE 3 **INVESTMENTS - SEI PRIVATE TRUST COMPANY**

Investments as of December 31, 2018 consist of the following:

Alternative Investments:	
SEI Core Property Fund, LP	\$ 3,652,366
Domestic Equities	12,560,858
Fixed Income	10,260,986
International Equities	11,340,015
	<u>\$37,814,225</u>

NOTE 4 **CONCENTRATION OF CREDIT RISK**

The Foundation maintains its cash balances at Pennsville National Bank. The deposits exceed the FDIC Insurance limit. However, the Foundation has not experienced any losses in these accounts. The management of the Foundation believes that the Pennsville National Bank has a strong credit rating and that the credit risk related to these deposits is minimal.

NOTE 5 **PROPERTY AND EQUIPMENT**

Property and Equipment as of December 31, 2018 consist of the following:

Equipment	\$ 54,362
Furniture and Fixtures	15,735
Leasehold Improvements	15,327
Total Cost	\$ 85,424
Less: Accumulated Depreciation	(71,278)
Property and Equipment, Net	\$ 14,146

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 **PROCEEDS – SALE OF MEMORIAL HOSPITAL OF SALEM COUNTY (9/30/2002)**

The net proceeds from the sale of Memorial Hospital of Salem County on 9/30/2002 was \$ 32,207,639. The disposition of said funds was as follows:

To Salem Health and Wellness Foundation	\$14,600,000
To US Bank Escrow Account for the Benefit Of Salem Health and Wellness Foundation	10,000,000
To Memorial Hospital of Salem County (seller)	7,607,639
Total Proceeds	\$32,207,639

The amount of the proceeds received by Memorial Hospital of Salem County (seller), \$ 7,607,639, was set aside at settlement in order to meet any outstanding liabilities of Memorial Hospital of Salem County. These funds were transferred to the Fenwick Corporation which was responsible for the administration of said funds for a period of ten years. On the tenth anniversary of the sale of the Hospital, September 30, 2012, the Fenwick Corporation ceased it's business activities and distributed the remaining cash balance in the amount of \$ 2,198 to Salem Health and Wellness Foundation.

NOTE 7 **BENEFICIAL INTERESTS IN PERPETUAL TRUSTS**

The Foundation is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the Foundation. The Foundation has legally enforceable rights and claims to such assets, including the right to income therefrom. The assets are recognized at the estimated fair value of the related trust assets, which are generally composed of cash, cash equivalents, and mutual funds. Because the trusts are perpetual in nature and the corpus cannot be violated, they are reported as net assets with donor restrictions.

<u>Perpetual Trust</u>	<u>Value</u> <u>1/1/2018</u>	<u>Value</u> <u>12/31/2018</u>	<u>Change</u> <u>In Value</u>	<u>Distributions</u> <u>12/31/2018</u>
Fox Trust	\$ 655,430	\$ 575,197	\$ (80,233)	\$ 28,875
Huber Trust	123,156	107,920	(15,236)	3,975
Huber Scholarship	92,573	79,768	(12,805)	4,000
Rumsey Trust	203,827	179,713	(24,114)	8,000
Hitchner Trust	10,053,223	8,942,799	(1,110,424)	472,000
Parvin Trust	293,115	261,448	(31,667)	12,681
	\$ 11,421,324	\$ 10,146,845	\$ (1,274,479)	\$ 529,531

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8 DONATED FACILITIES

On September 8, 2006, the Foundation moved into new office space at 91 S. Virginia Ave., Carneys Point, NJ. This office space has been donated by Pennsville National Bank. The donated facilities will be include as a contribution and the corresponding rental expense at \$ 1,200.00 per month. The value of donated facilities included as contributions in the financial statements and the corresponding rental expense for the year ended December 31, 2018 is \$ 14,400.

NOTE 9 403(B) PENSION PLAN

In May of 2004, the Foundation established a 403(B) retirement plan for its employees. Through December 31, 2010, the plan was an employee contributory plan, only. Effective January 1, 2011, the Foundation will match employee contributions to the retirement plan up to 6% of compensation. The Foundation's matching contribution expense for the year ended December 31, 2018 is \$ 11,505.

NOTE 10 FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, and difines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the topic are described below:

Level 1 - Quoted prices for identical assets or liabilities in active markets.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 - Significant Inputs to the valuation model are unobservable.

The following is a description of the valuation methodologies used for assets measured at fair value.

Alternative Investments - This consists of an investment in SEI Core Property Fund, L.P., a limited partnership. These investments are reported at estimated fair values by using the net asset value, as a practical expedient, provided by investment managers (SEI). Because of the inherent uncertainty of valuation, estimated fair values may differ from values that would have been used had a ready market

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 10 FAIR VALUE MEASUREMENTS (Continued)

for the investments existed, and the difference could be material. Due to these facts, the alternative investments should not be considered liquid investments that are readily convertible into cash.

Common Stocks - Valued at the quoted price reported on a national securities exchange on which the individual securities are traded.

Registered Investment Companies, Mutual Funds, and ETF's - Valued at the net asset value of the shares held by the Foundation at year-end.

Beneficial Interest in Perpetual Trusts - Valued at the fair value of the assets held in the trusts as reported by the trustees as of year-end. The Foundation considers the measurement of its beneficial interest in the perpetual trusts to be a Level 3 measurement within the fair value measurement hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the Foundation will never receive those assets or have the ability to direct the trustee to redeem them.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The financial instrument's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 10 **FAIR VALUE MEASUREMENTS (Continued)**

The following schedule sets forth, by level, the Foundation's investment assets at fair value, within the fair value hierarchy at December 31, 2018:

	<u>Financial Assets at Fair Value as of December 31, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Alternative Investments			\$ 3,652,366	\$ 3,652,366
Domestic Equities	\$ 12,560,858			12,560,858
International Equities	11,340,015			11,340,015
Fixed Income	<u>10,260,986</u>			<u>10,260,986</u>
Total Investments	<u>34,161,859</u>	<u>\$ -</u>	<u>\$ 3,652,366</u>	<u>\$ 37,814,225</u>
Beneficial Interests in Perpetual Trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,146,845</u>	<u>\$ 10,146,845</u>

The Foundation recognizes transfers into and out of levels at the end of the reporting period. There were no transfers between levels in the year ended December 31, 2018.

NOTE 11 **LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date of December 31, 2018 comprise the following:

Cash and Cash Equivalents	\$ 13,934,111
Investment Income Receivable	56,527
Investments	<u>5,161,859</u>
	<u>\$ 19,152,497</u>

The Foundation's alternative investments, which consist of an investment in a limited partnership at SEI Private Trust Company, is excluded from marketable investments in the above schedule.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 12 SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the statement of financial position but arose after that date (that is, non-recognized subsequent events).

The Foundation has evaluated subsequent events through May 24, 2019, which was the date that these financial statements were available for issuance, and determined that the following events were significant non-recognized subsequent event through that date:

In January, 2019, the Foundation entered into a Grant and Loan Agreement with Salem County Hospital Corp. d/b/a Salem Medical Center ("SMC"), a New Jersey nonprofit corporation exempt from tax under section 501(c)(3) of the Internal Revenue Code, to facilitate SMC's purchase of the Memorial Hospital of Salem County, in furtherance of the Foundation's charitable purposes. The Foundation's total financial commitment toward the purchase is \$ 29,000,000, consisting of a low-interest rate loan of \$ 14,500,000 and a grant of \$ 14,500,000. The Board of Trustees' designation of funds to satisfy this commitment is included in net assets with donor restrictions, as imposed by the Board of Trustees of the Foundation, on the statement of financial position as of December 31, 2018.

The Foundation received notice on May 15, 2019 from the Trustee of the Trust under Deed of Harold S. Huber dated June 20, 1986, known as The Joseph Michael Galvin, Jr. Scholarship Trust (the "Trust") that the Trustee intends to terminate the Trust in accordance with the New Jersey Uniform Trust Code and to distribute the assets to the Foundation for further administration. The balance of the trust is included in the financial statements as a beneficial interest in a perpetual trust, and after the Foundation receives the Trust assets, it will include the assets in net assets with donor restriction, separate from its list of beneficial interests in perpetual trusts, on the statement of financial position as of December 31, 2019.

As of January 1, 2019, the Foundation will voluntarily begin filing income taxes as a private foundation under Section 4942(j)(3) of the Internal Revenue Code. As such, the Foundation, starting with the annual filing of form 990-PF for tax year 2019, will be subject to federal excise taxes imposed on private operating foundations at two percent (2%). The tax rate is reduced to one percent (1%) if certain criteria are met. The excise tax is imposed on net investment income, as defined under federal law, which includes realized gains on the sale of investments.